

Factors Affecting the Growth of Microfinance Institutions in Tanzania: A Case Study SACCOS in Singida Region

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Abstract: *Microfinance Institutions (MFIs) are the financial services established for the specific target to enabling community, particularly poor people to access loans having lack of access to conventional banking and related services. Worldwide the sector started since 1770's. In Tanzania, it kicked off in 1991 after the enactment of BFIA and SACCOS Act in 1991. This research was conducted in Singida District in 2018 comprising a sample size of 88 respondents from ten SACCOS. Both qualitative and quantitative data were collected. The study employed case study method intended to assess the factors that affect the growth of Micro-finance Institutions in Tanzania. The study found that the growth of MFIs is affected by the following factors; Capacity in managing finances and loans and adhering to financial policies and guidelines. Others include competent personnel, appropriate training to key staff, loan follow up, corruption, and access of members to business training. Similarly, the availability of Technical support to SACCOS, Availability of sources of Business Capital, Level of knowledge on sustainability, Risk management, Training related to the members, challenges of business competition, Macroeconomic factors including inflation, Financial Sector Reforms and Development of Microfinance Policy, affect MFIs. Further the study found that the challenges affecting the performance of the growth of MFIs are within the capacity of the MFIs stakeholders. Henceforth, the study urges all stakeholders to play a pertinent role to enhance effective performance of MFIs.*

Keywords: Microfinance Institutions, Poverty Alleviation, Growth, Singida, Tanzania.

1. INTRODUCTION

Microfinance Institutions (MFIs) are the financial services established for the specific target to enable community, particularly poor people to access loans having lack of access to conventional banking and related services. Microfinance Institutions (MFI) are entities specialized in the provision of microfinance product and service to microfinance clients such as micro savings, micro loans, micro insurance, micro housing, micro leasing, money transfers and other financial related services to microfinance clients (BOT, 2017). The main aim is to alleviate poverty, to the marginalized societies. They provide loans to the people without demanding the security of asset what matters is the implementable plan that shows how the loan repayments will be affected (Cherotich, 2015). The concept of small loan depends on several factors, including country legal framework and the level of country GDP (World Bank, 2010). Worldwide the sector has a long history, it gained recognition and acceptance since 1980's in providing financial services to the poor started in European countries in 1800's, Asian countries in 1850's Latin America in 1900's while in Africans countries started officially in the 1950's (Cherotich, 2015 and Lee, 2017). The Government of Tanzania in ensuring that is not behind with the notion of MFIs embarked on financial sector reforms in 1991, in order to create an effective and efficient financial system. The genesis of the 1991 reforms is to create a conducive environment free market and to provide quality and reliable financial services Act (BFIA) of 1991. This has allowed banking institutions to operate on a commercial basis, making their business and management decisions free from

outside intervention within the norms of prudential supervision. The principal elements of the financial sector reforms included liberalization of interest rates, elimination of administrative credit allocation, strengthening the Bank of Tanzania's role in regulating and supervising financial institutions, restructuring of state-owned financial institutions, and allowing the entry of local and private banks into the market Act (BFIA) of 199. As part of the progress being achieved in the mainstream banking system, the financial services to the targeted group has remained immature. In the process of uplifting the sector the Government, in collaboration with the donor community, took action to facilitate the development of the microfinance industry by the formulation of the microfinance policy in 1996 and has continued to refine the National Microfinance Policy as implemented in 200 (National Microfinance Policy of 2000) and 2017 (National Microfinance Policy of 2000). The purpose of refinement the National Microfinance Policy is to ensure that, the National Microfinance Policy is update meaning that it answer the problem that stakeholders are encountered in their day-to-day operations. In addition, the Government of Tanzania in its strategies for promoting the financial sector reforms, in 1991 has enacted the Cooperative Societies Act of 1991, which provide the basis for the development of Savings and Credit Cooperative Societies (SACCOS) as privately owned and –organized equity-based institutions. Among many of microfinance institutions formulated after the enactment of the two Acts (BFIA and SACCOS in 1991), the Savings and Credit Cooperative Societies (SACCOS) are one of them, it was formulated primarily to provide savings and small credits (loans) to its

members in order to release financial constraints and help the poor to reduce if not to alleviate poverty.

Despite the high contribution of SACCOS to people of low income in Tanzania, many SACCOS have failed to provide required support to their beneficiaries due to their internal weaknesses. Some SACCOS in Tanzania began as a small micro credit institution, but managed to perform well and attract a bigger number of members whose contribution resulted in the big capital, which is available for loans to members. Furthermore, since the establishment of MFIs, many of them have ceased operation due to a number of reasons. These include human resource capacity (knowledge, skills, and staffing level) and Motivation (reward, delegation and teamwork). Others include Systems and Procedures (audit, cash and internal control). Also cases of financial mismanagement have been widely reported in the private and public sector and reporting framework applicable in these institutions or whom are MFI accountable to (Billis, 1989), Odong, 2004). Moreover, most of the studies on MFIs have explored the impact that these institutions have in the community, but less has been explored on what drive them to fail or succeed. Therefore, this study intended to explore specific factors that affect the performance and growth of individual MFIs in Tanzania, with a more focus on the SACCOS. However, although there is a significant level of growth, there are even more challenges associated with their growth. It is evident that some efforts are being done to make sure that SACCOS operates in a good environment and as per regulations, still there is inconsistency of findings and yet, society is not aware of the exact factors affecting the growth of MFIs, hence the exercise of conducting the research on the factors affecting MFIs is inevitable. Therefore the study intended to determine the factors affecting the growth of MFIs particularly SACCOS to ascertain their significant contribution to the economy and the welfare of Tanzanians.

2. LITERATURE REVIEW

2.1 Microfinance institutions (MFIs)

Microfinance institutions are the financial institution whereby their products and services are designed to provide low-income people with tools to meet credit and saving needs as well as manage risk and efficiently execute transactions. Microfinance institutions can be categorized into three categories; micro credit, micro saving and micro insurance. Micro credit is the category of microfinance institution established for issuing small loans to micro entrepreneurs to invest in their businesses, reinvest the returns and allow them to grow out of poverty. Micro saving is the microfinance institutions established with the target to provide accessible and safe avenues to save, either for future investments or as a precaution against economic shocks while Micro insurance products are designed to mitigate different types of risks. By definition in this study, the microfinance institution, which we are talking about, is micro credit (EYGM, 2014).

2.2. Savings and Credit Cooperative Society (SACCOS)

SACCOS is the microfinance institutions formed by community member with the intention of promoting members economic interest by allowing members to borrow money at the small interest with soft condition from the SACCOS once demand it (Syed, 1991 & SACCOS Act, 1991).

2.3. SACCOS Market in Tanzania

The sector is estimated to have the population of eight million stakeholders includes individual entrepreneurs and small groups of business entrepreneurs who need the access of the loan, this has attributed by his failure to the access of conventional banking and related services. Furthermore, many of the individual and small group entrepreneurs are in village areas while many of the MFIs are at urban areas things that make many people in rural areas to lose the access of the services offered by the SACCOS.

2.4. Empirical Review

(Ondieki et al ,2011) on his study of the challenges faces MFIs identified that, the interest rate from external finance is very high compared to the interest rate who the SACCOS charge his members. This has caused the SACCOS not raise its capital through external sources. In his recommendation he recommended that the government should intervene in, the sector by enforcing the financial institution other than MFIs to lend money to the MFIs at the low rate.

(Ouma, 1989; Mukama et al, 2011; and Banturaki, 2012), reported the misuses of funds includes corruption, embezzlement, theft of movable assets such as computers these were attributed by the weak internal control and the non-adherence to the principles of the SACCOS.

(Auka and Mwangi, 2013) suggested that, competition of SACCOS with other financial institutions is also among the factors hindering the performance of the SACCOS. Many of the SACCOS failed to compete with other financial institutions, particularly; bank because of the lack of capital as many of the SACCOS its main source of capital depends on members' contributions. While SACCOS expecting to raise its capital through members' contribution, members (Zeller, 1998) looked at the determinants of repayment performance for group lending in Madagascar using data from a random sample of 146 groups in six different lending programs. The study's key findings are that groups consisting of members facing homogenous risk exposure do not have higher repayment rates, but that repayment rates significantly improve when groups have some type of social cohesion, informal or not. This result suggests that group lending can significantly improve repayments and therefore reduce the risks in loan portfolios.

(Woller, 2000) reviews the financial viability of village banking using data from nine institutions by studying the relationship between the return on the institution's loan portfolio and various operation cost measurements. Despite the difficulty of making strong conclusions from the small sample, the study found three strong indicators of financial health – portfolio yield (return), the interest spread, and the

number of borrowers. In addition, the study shows that high or hyper-inflation economic conditions severely reduce the ability of microenterprises to repay loans.

(Weele and Markowich, 2001) study the experience of two different microfinance institutions. This case study shows, not surprisingly, that macroeconomic conditions affect the risks in the portfolio.

(Mosley, 2001) in his study on Microfinance and Poverty in Bolivia, Mosley assessed the impact of microfinance on improving the people's standards of living through small sample surveys of four microfinance institutions, two urban and two rural, using a range of poverty concepts such as income, asset holdings and diversity and various measures of vulnerability. All the institutions studied had, on balance, positive impacts on income and asset levels. Despite this contribution, the study by Mosley (2001) has some weaknesses. The first problem is on the sample size, which was only four microfinance institutions; this sample size might not be adequate for the generalizations.

(Musyoka, 2001) argued that, microfinance programs face the problem of management, institutional structure, lack of business skills, markets for clients' products and high interest rates. All these are the MFI's bottleneck to the fight against poverty.

(Tiwari and Fahad, 2006) on their study of microfinance institutions in India found out several weaknesses on MFIs which make them unable of alleviating poverty to their people like taking credit alone as a means to alleviate poverty.

2.5 Empirical Evidence in Tanzania

The issue of poverty and Microfinance as a weapon against poverty has been widely studied by various people and organizations in Tanzania. However, to what extent MFIs' have succeeded in improving peoples' standards of living and hence alleviating poverty is still an issue to address. Recent studies have shown that, there are over 50 registered MFIs in Tanzania but their overall performance has been poor (Chijoriga, 2000).

(Anania and Gikuri, 2015) on their study of factors affecting SACCOS capacity to meet members' expectations mainly used secondary data elucidated the following as the factor affecting members' expectation which obviously affect the performance of MIFs; paper revealed that the factors preventing SACCOS to meet members' expectations are both internal and external. Internal factors are like; financial constraints, poor loan recovery, governance problems, lack of common interests, high interest rates on loans by some SACCOS, weak leadership and institutional capacity, uninformed membership, inadequate education and training, limited range of financial products and poor quality services, poor accounting and record keeping, misuse of funds and nonadherence to co-operative principles. The internal factors identified include; competition, negative impacts of external financing, weak assistance form SACCOS supporting institutions,

insufficient auditing and inspection, political interference and excessive donor dependency

(Mkingule, 2005) in his research on the problems of Rural Microfinance Institutions in Tanzania, the case of Dodoma region, found that that, MFIs are not effective and efficient in providing their services due to small capital, small members' savings, few memberships, unskilled staff and board members, and insufficient revenue to cover operational costs.

(Chambo, 2004; Mukama et al, 2011) reported that among the factors that hindering the performance of SACCOS is the poor capacity to maintain good quality of proper accounting system that will not lead into delinquency risk, credit risk and payment default risk. It was observed that a large number of SACCOS have no competencies staff who are able to carry out accounting functions this is attributed to the worry of the SACCOS to incur high administration costs that will impinge the revenue of the respective SACCOS.

(Kuzilwa, 2002; Rweyemamu et al, 2003) in examining the role of credit in generating entrepreneurial activities reveal that the output of enterprises increased following the access to the credit. It was further observed that the enterprises whose owners received business training and advice, performed better than those who did not receive training.

(Rweyemamu et al, 2003) evaluated the performance and constraints facing, semi-formal microfinance institutions revealed that poor infrastructure of the MFIs led to high transportation costs, which increased the transaction costs in credit procurement, and disbursement and this ultimately hindered the effectiveness of the credit programmers.

(Kuzilwa and Mushi, 1997) examined the role of credit in generating entrepreneurial activities, qualitative case as their methodology revealed that those businesses, whose owners received business training and advice, performed better than those who did not receive training. They recommended that for the welfare of the members, the SACCOS should have the department of research and training that will ensure that the challenges faces the SACCOS and other stakeholders are managed at the right time to avoid the collapse of the many of the MFIs.

Figure 1: Theoretical Framework

Based on the meaning of Microfinance Institutions and SACCOS, the study developed the below framework (Figure 1) showing factors affecting growth of SACCOS in Tanzania.



The above figure shows the basic factors that may influence growth of SACCOS. This study believes that growth of SACCOS may depend on the viability of these factors; if the factors are well implemented and do not bring any flaws, SACCOS will grow significantly. On the other hand if these factors are not well adhered to, SACCOS will definitely cease operations.

3. METHODOLOGY

The study was conducted in Singida Region in Tanzania. Data collected were both primary and secondary. The study used multi-methods for data collection from key stakeholders. Therefore, primary data collection featured into three stages;

- i. In-depth interviews with officials responsible for SACCOS. This helped the researcher to get a picture of important contextual issues,
- ii. Questionnaires were administered to senior officials from the sampled institutions. This enabled the collection of data in a systematic manner and facilitated the process of compiling, classifying and summarizing the information in a meaningful way and
- iii. Finally, there were some follow up interviews and Focus Group Discussion (FGD) for some SACCOS to get clarification on some findings. For these, semi-structured interview approach was applied.

Further secondary involved MFIs reports and council reports. The study targeted 100 purposefully and simple randomly selected. Staff and SACCO's members were selected through simple random sampling while purposeful sampling was applied to staff who participated in in- depth interviews such as staff from Singida regional secretariat, Singida District and the SACCOS senior officials. Data Collected through interview and questionnaire were analyzed using excel software and presented in the form of descriptive statistics including tables, Charts or graphs.

4. FINDINGS AND DISCUSSION

This chapter provides presentation, analysis and discussion of findings on factors affecting growth and performance of SACCOS in Tanzania. It provides an interpretation of all main issues revealed in this study, and provides the researcher's views on each of the issues revealed. The study targeted 100 of which 88 (88%) participated in the study. According to (Creswell, 2009), a response rate of more than 70% is sufficiently required for analysis. In this case, a response of 88% was excellent to progress to analysis.

4.2 Gender and Age of Respondents

A total of 88 respondents indicated their gender and age as indicated in Figure 1 and 2 respectively

Figure 2: Gender of Respondents



From the findings, 55% of the respondents were male, while 45% were female. This indicated that the study was not gender biased since both male and female were fairly represented.

Figure 3: Age of Respondents

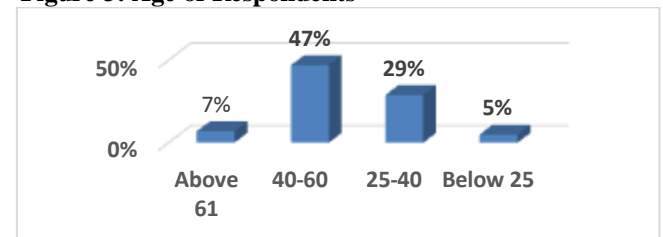


Figure 2 shows that 5% of respondents were aged below 25 years, 29% were aged 24-40 years, 47% were aged 47% and 7% were aged above 61 years. The results indicate that the majority of the respondents (47%) were aged 40-60 years.

4.3 SACCOS involved in the study

The study involved 10 SACCOS from Singida District, details of name, number of members; the amount of loans available for loans to members and the location of each SACCOS are presented in table 1.

Table 1: Name, Membership No, location and Amount of fund available for loans in each SACCOS

Name of SACCO's	No. Members	Location	Amount of fund available for loan (Tsh)
Singida SACCOS	302	Urban	208,850,000
Kilimani SACCOS	220	Urban	105,050,000
Kishapu community SACCOS	159	Urban	108,000,000

Mweru SACCOS	138	Urban	255,000,000
Umoja SACCOS	239	Urban	205,800,000
Maendeleo SACCOS	345	Rural	254,000,000
Kijenge SACCOS	243	Rural	306,300,000
Community Development SACCOS	432	Rural	304,500,000
Tuwezesha SACCOS	234	Rural	258,000,000
Akiba SACCOS	126	Rural	90,000,000

Table 1 indicates that all SACCOS that were involved had already established enough capital to provide loans to their members. The amount of loans available did not take into consideration the amount that has already been given as loans, but rather the amount that members can access at the point of data collection. Further, the table shows that each SACCOS had a significant amount of money that could be accessed by members. Besides, membership is also high in almost all, although each SACCOS.

4.4 Factors affecting the growth of Microfinance Institutions (SACCOS) in Tanzania

The following factors were observed as challenges affecting growth of Microfinance Institutions in Singida Region.

Capacity of SACCOS to issue loans and managing finances

The capacity of SACCOS to manage issue loans and manage finances is key for successful financial institutions. As pointed out (Chijoriga, 2000), that most of the SACCOS have failed to survive their first three years of operation due to failures in managing loans..

Table 2: Capacity of SACCOS in Managing Loans

S/n	Performance levels of managing finances and loans	Frequency	Percentage
1	Very high level	0	0%
2	High level	2	20%
3	Average level	7	70%
4	Low level	1	10%
5	Very low level	0	0%
Total		10	100%

Table 2 shows that most of the 7 SACCOS (70%) indicated that they have an average capacity in issuing loans and managing finances, while 1 (10%) has a low capacity, and only 2 (20%) had high capacity. Further the study found no SACCOS ranked itself to have very high capacity as well as very low capacity in managing finances and issuing loans. The focus discussion groups, clarified it further, and came up with reasons that could contribute to their average capacity. It was revealed in the three focus groups that most of the staff recruited is not having enough skills and experience in managing loans. The major discussion was focused on the link between managing loans and managing general finances

of the SACCOS. Participants in one group discussion indicated that there staff who have general knowledge of accounting, but are not very experienced in managing financial schemes such as those implemented by SACCOS. Moreover, the guidelines for offering loans and procedures for loan repayments were found not well understood by senior staff because they see inconsistency in the directives they are given when they apply for loans. One participant in a group discussion said:

"I took loans five months ago and I have already paid five instalments already, but in their system they indicated that I have paid only four instalments. My uncle was also asked to pay less than I am paying while he took a bigger loan for the same period as mine. I think these people do not know what they are doing"

The overall findings imply that poor management of loan issuance is a window through which majority SACCOS lose a lot of money, and this has greatly contributed in failures of some of the SACCOS to operate effectively.

Application of Financial Policies and Guidelines

Application of financial policies and guidelines in the performance and management of SACCOS fund featured as another factor affecting SACCOS.

Table 3: Application of Financial Policies and Guidelines

S/ n	Status	Frequency	Percentage
1	Stick to the financial policies and guidelines	10	100%
2	Not stick to the financial policies and guidelines	6	60%

Table 3 shows that all 10 (100%) of the SACCOS involved in this study indicated that they have financial policies and guidelines on how to deal with their finances, including how to deal with loans. This was regarded as the most important thing that any SACCOS should begin with since in the discussion people indicated that without such policies, it is very difficult to run an institution such as SACCOS. However, the major concern to the most of the SACCOS was the capacity of their institutions to apply these policies in day-to-day operations.

When the management of each organization was asked whether they are able to properly follow their financial policies, it was found that 6 (60%) of the SACCOS involved in the study indicated that they do not follow properly their financial policies and guidelines. However, the remaining 4 (40%) were confident in the way they were following their financial policies and other guidelines on dealing with loans. For those who reported not to follow their financial policy and guidelines, 3 (50%) indicated that it is because of lack of good management, and the other 3 (50%) said it is because

some of their policies were not implementable. They additionally stated that they the financial policies and regulations were not friendly to both members and management, and that if they are properly followed they will reduce the number of people who are taking loans and hence the number of members. Thus, these findings explain the way in which many organizations are challenged by poor management and lack of enough technical skills to develop guidelines and policies that are relevant and practical in supporting their members and their organizations. Even though, developing financial guidelines and procedures may require technical skills that not all SACCOS had using consultancies, which can help them develop user-friendly guidelines that are relevant to the level and type of institutions is crucial. This is one of the reasons for low or slow growth of most of the SACCOS.

Competent personnel

Among the SACCOS with key experienced and knowledgeable personnel, 60% of these organizations comes from urban areas, leaving 40% to come from rural areas. This means, urban SACCOS are likely to get better and experienced personnel than in rural areas. It was also revealed in the focus group discussions with personnel from rural SACCOS that, in rural areas there are some retired people with related experience and have been used to support some SACCOS. However, the challenge is that, most of them cannot use modern technology, especially computer and updated financial computer software, SACCOS and other MFIs applied in. As a result, they are very slow and two SACCOS have reported that, they had established another parallel financial manual system because their accountant could not operate the computerized financial system, and they are now facing difficulties in managing the two. These results imply that operation of SACCOS faces difficulty having incompetent personnel in charge.

Perception on the importance of training for key staff

The members of the SACCOS were asked to provide their comments if they think frequent training to key personnel who are running their SACCOS is important in improving the performance and the growth of their SACCOS. Table shows participants perception on trainings to key personnels.

Table 4: Perception on Training of key SACCOS Personnel

S/n	Importance of training to key staff	Frequency	Percentage
1	Strongly agree	26	30%
2	Agree	25	29%
3	Disagree	35	40%
4	Strongly disagree	2	3%
Total		88	100%

The study revealed that, training of key personnel is inevitable as the average response indicate that, 29% strongly agreed, 29% agreed 40% disagree while only 3% strongly disagreed. For those respondents who strongly disagree and disagree when asked why they think that frequent training does not increase the performance. In fact, there was a mixture of ideas, and others thought that, staff who are graduate should know much about how to manage SACCOS. Therefore, there is no need to take much of the little resources they have for further training. However, there were those who said that there is always a problem in the application of the knowledge gained in training. Their experience tells them that many people who go for training enjoy periderms and good meals in the training, but they do not practice what they have been trained, instead, they continue to work basing on their experience and past knowledge. In the discussion with the management of Singida SACCOS, one of the respondents thought that training does not given high priority, either there inadequate budget for staff training. Consequently, there was a feeling that staff who have basic skills in finance or accounting or management do not need further training, especially when the training are to be paid by the respective SACCOS. Some members regard spending the money from the SACCOS' profit to do staff training as a waste of money, but as spending on the issues, which are not a priority. As a result, this contributes to lack of updated information and techniques of MFIs that could help them solve their existing challenges.

Level of performance of SACCOS

Participants were asked if their SACCOS is operating at the standard level of performance. Table shows the participants response on SACCO's performance.

Table 5: Level of Performance of SACCOS

S/n	Level of performance	Frequency	Percentage
1	Strongly agree	0	0%
2	Agree	11	12%
3	Disagree	16	18%
4	Strongly disagree	61	70%
Total		88	100%

Table 5 shows that the participant's level of agreement varied significantly, where 12% agreed, 16% disagreed, 70% strongly disagreed. An interview with the management of four SACCOS also, revealed that there is less training that target MFIs, but there is much training on financial management. It was realized that almost all accountants attended at least one training on finance or management in the last two years. However, only one had attended training on establishing and running Microfinance Institutions. This indicates that there is a lack of appropriate training for MFIs,

and this is highly contributing in poor performance and hence low growth of microfinance institutions including SACCOS.

Capacity to Loan follow up

Respondents were asked to rank the capacity of their SACCOS in loan follow up this have done in order to find out how much risk they are taking when they receive financial services from their SACCOS. Results as indicated in table below

Table 6: Respondents Perception on capacity of loans of SACCOS

S/n	Capacity of loan follow up	Frequency	Percentage
1	Very high capacity	0	0%
2	High capacity	18	20%
3	Average capacity	45	51%
4	Low capacity	25	29%
5	Very low capacity	0	0%
Total		88	100%

Table 6 shows that most (51%) of respondents thought their SACCOS have an average capacity in following up loans provided to members, (20%) thought their SACCOS capacity is high and the remaining. On the other hand, (29%) thought it is low and none of the respondents indicated very high and very low. In fact, members' view of average capacity and low capacity in loan follow up is not a good situation since SACCOS members do not have confidence in the way their organization is following up loans. This indicates that most members decide to invest in SACCOS while they know they are taking a high risk associated with low or average performance of their institution. This situation can contribute in reducing the commitment and seriousness of members in repaying their loans because they know there is no good system or procedures or competent personnel to follow up the loans offered to members.

Members Business Training Accessibility

Table 7: Member Business Training Accessibility

S/n	Location of SACCO's	Respondents attended training	%	Respondents not attended training	%	Total respondents	%
1	Urban	33	73%	10	23%	43	100%
2	Rural	12	27%	33	77%	45	100%
Total		45	51	43	49	88	100

The results show that 66% of the respondents have indicated that it is difficult to find appropriate institutions that can offer them training on business skills in their location. They mentioned that there are business colleges, which offer specialized training with a specific curricular for certificates, diploma and degrees, but not offering training to small entrepreneurs. However, there was a general concern in the interview that Small Industries Development Organization (SIDO) is the only opportunity for many entrepreneurs in the Singida because they have been offering some training on entrepreneurship for a long time. However, it is also not easy to get their training until one is registered with them, or those who has taken a loan from them. Only twenty percent of SACCOS involved have indicated that they link their members with business training opportunities. This has contributed to the success of their members' businesses, which has in turn helped to strengthen their SACCOS. The extent at which members are able to borrow funds and do successful businesses is highly contributing in the growth and performance of the SACCOS involved. While the remaining eighty percent have not sent their members with business training opportunities because of the lack of funds and training information. However, there is a great difference between training opportunities in rural and those in urban areas. As noted in Table 7 (51%) of respondents have attended at least one-business trainings that relate to their businesses. Among those, the majority comes from urban areas, and very few from rural areas of Singida. This implies that only few business people can have access to these business trainings, and there are more opportunities in urban areas than they are in rural areas. As a result, few entrepreneurs were performing to the expected level, and this has helped SACCOS in areas where there are more training opportunities to perform better.

Availability of Technical support to SACCOS

Table 8 below provides the results of the interview done to the management and members of SACCOS in Singida District on the availability of technical support or capacity building support to SACCOS.

Table 8: Availability of Technical Support Cross Tabulation

S/n	Location of SACCO's	Not sufficient Availability of technical support	%	Sufficient Availability of technical support	%	Total respondents	%
1	Urban	11	24	34	76	45	100

			%		%		%
2	Rural	15	35	28	65	43	100
			%		%		%
Total		26	30	62	70	88	100
			%		%		%

The study revealed that 62 (70%) respondents indicated that, there is insufficient level of support they receive from the government or from other non-government institutions. Out of the 62 respondents who reported on insufficient capacity building support, 34 of these respondents were from rural areas and the other 28 were from urban areas. This indicates that, in rural areas there is less opportunities for capacity building than in urban areas. In the discussion with the management, it was found that people who do not have enough skills in managing funds are establishing some of these SACCOS, and they do not get the required support they need from the government or other non-governmental organizations that are doing capacity building for institutions. Participants from the focus group discussion indicated that lack of technical support is highly contributed by lack of proper follow up from the government, few people with technical profession and experience in loan giving, and poor commitment from the government and other non-government institution in supporting SACCOS. It was also claimed that non-governmental organizations who are offering capacity building support to local organizations they view SACCOS as privately owned institutions (because of the direct benefits they offer to their members) and therefore they do not qualify for the support of most of international and local NGOs. As a result, most of SACCOS are left to operate without any external support.

Availability of Business Capital

Sources of business capital are among of the major factor determine the success of business organization or entrepreneur. Table 9 shows sources of business capital of SACCOS.

Table 9: Source of Business Capital of SACCOS

S/n	Sources of capital	Frequency	Percentage
1	Members	74	84%
2	Other financial Institutions	13	15%
4	Other sources	1	1%
Total		88	100%

The study revealed that there are three main sources of capital; member's contribution, which account 84%, financial institutions account 15% and other sources like donor and government subsidize which account about 1%. During follow up questions with group discussions it was revealed that SACCOS treated the other financial institutions, as the main sources of capital as its performance

were low compared to the SACCOS where its main sources of capital is from members' contributions. This is attributed by the high interest charge charged by the financial institution once SACCOS borrow money from them compared to the interest charge, which are charged by SACCOS to its members when they lend money to them. Moreover, the discussion with management also indicated that most SACCOS depend on members' contributions for their capital. The interest they get from members loans covers some of management costs. However, they face challenges in getting grants from other financial institutions. 9 out of 10 SACCOS that participated in this study indicated that they do not want to take loans from the banks because banks are charging higher interest rates than they charge for their members. The remaining one SACCOS indicated that they took loans from the bank for other income generating projects, and not as a capital for providing loans to their members. Therefore, while SACCOS depend much on members' savings as their capital, they still need more money than they can get from members. Two SACCOS mentioned that they would like to make other investments (e.g. Hotels) but they do not have enough money to support such projects and are not comfortable in applying for loans from the banks because of fear of failing to repay within the repayment period. It can therefore be concluded that lack of capital is a challenge not only for SACCO's members but also for SACCOS themselves. Lack of enough capital will delay the speed at which the SACCOS can offer loans to their members. As a result, the growth of the SACCOS will be very slow.

Understanding an application of the issues of sustainability

Sustainability is an important element to both the members and the organization. In order to ensure long term effects and impacts, it is very important for the organization to establish sustainability plans, and to encourage members to reflect on sustainability issues as they design their projects and implement their businesses. Table shows the knowledge level of sustainability

Table 10: Participants Level of Knowledge on Sustainability

S/n	Level of knowledge on sustainability	Frequency	Percentage
1	Understanding on the issue of sustainability	21	23.8%
2	Non-understanding on the issue of sustainability	67	76.2%
Total		88	100%

Table 9 shows that 23.8% thought they had enough understanding of sustainability, and 76.2% had no knowledge about sustainability. These results indicate how many SACCOS do not put an element of sustainability as a

top priority. If the SACCOS themselves do not insist on this element, members are also likely not to see it as an important element to be reflected and planned for. In the training materials that one of the SACCOS is using to train its members the course of entrepreneurship skills, the word 'sustainability' was not mentioned at all. The issue here was to find on both lack of understanding of sustainability and poor application of knowledge on sustainability to practically improve the strategies and planning processes of their institution. Lack of seriousness in the element of sustainability is likely to cause slow or poor growth of the SACCOS in Tanzania.

Risk management

The study has also assessed the extent at which SACCOS are addressing the risks associated with lending money to members. The study looked at the determinants of repayment performance for group lending in the SACCOS. Table indicates risk management and handling procedures.

Table 11: Risk Management Identification and Handling Procedures

S/n	Practices of risk management	Frequency	Percentage
1	Application of risk management technique	8	80%
2	Non application of risk management technique	2	20%
Total		10	100%

Table shows that 80% of the SACCOS applies risk management practices and techniques, while 20% were found not applying them. Besides, the study found that SACCOS are employing different lending methodologies, including group lending and individual lending. The discussion with management and group members revealed that groups consisting of members facing homogenous risk exposure do not have higher repayment rates, but that repayment rates significantly improve when groups have some type of social cohesion, informal or not. 80% of the SACCOS involved in the study had evidence that there were better repayments in funds that were offered to groups than to individuals, and they thought that group lending can significantly improve repayments and therefore reduce the risks in loan portfolios. Although a large cross-sectional study here seeks a stronger test of this hypothesis, the type of lending could also determine the risk involved in the lending process. It was evident that organizations are incurring big costs in chasing out individuals who have failed to repay their loans, and more time and attention is put into chasing these individual than in doing some other activities that promote growth of their institutions.

Training related to Members challenges on business competition

Table 12: Training Related to Members Challenge on Business Competition

S/n	Training before loans	Frequency	Percentage
1	SACCOS offer training to members	2	20%
2	SACCOS do not offer training to members	8	80%
Total		10	100%

Table shows that only 20% of SACCOS offer training to members, and 80% do not offer training to members. SACCO's. The findings suggest that 20% of SACCOS understanding the importance of training to potential members in this study. Therefore, it was found that they provide some training related to their members' business in order to reduce the risks of losses and increase their members' competitiveness in the business. The study revealed that although these few SACCOS offered training to those few respondents, still the training offered were not able to assist their members to solve competition problem. Respondents accessed training services were still unable to use available opportunities that have not been fully exploited to support their businesses. Therefore, the quality of training was not to the standard and could not support small and medium scale entrepreneurs to compete with other rivals.

SACCO's competition with other microfinance institutions

The SACCOS are faced by high competition from other microfinance and macro finance institutions. Table 12 shows levels of competition among SACCOS.

Table 13: SACCOS Competition with other Microfinance Institutions

S/n	Training before loans	Frequency	Percentage
1	SACCOS faces competition	8	80%
2	SACCOS do not face competition	2	20%
Total		10	100%

The results show that 80% of the SACCOS involved in this study indicated that local banks are their main competitors, followed by other microfinance institutions, while only 20% did not find other microfinance institution as a threat but rather an opportunity. In the focus group discussion with members in the two groups, it was revealed that banks are providing loans to people who have jobs, and those who are able to repay their loans easily. These people would have helped the SACCOS if they could have been taking loans from SACCOS. However, SACCOS lack opportunity to have them as their customers because banks are offering

them other services, especially bank services that include processing their salaries. In this way, Banks stand a better chance to win most people. Although some SACCOS have indicated interest in establishing their own registered banks, they are faced with a challenge of shortage of skilled personnel. This is just one of the significant obstacles that need to overcome for microfinance to get into a commercialization mode.

Inflation

Changes in other economic factors affect the rate at which Tanzania's financial institutions are performing. This include inflation happening overtimes in the country.

Table 14: Inflation as a Microeconomic factor on SACCOS performance

S/n	Inflation	Frequency	Percentage
1	Inflation is affecting the SACCOS performance	10	100%
2	Inflation is not affecting the SACCOS performance	0	0%
Total		10	100%

Table 13 shows that all 10 (100%) indicated that inflation happening over times in the country affect SACCOS performance. During the discussion with management of SACCOS, it was evident that they were all concerned with high inflation rates. Increase in prices of products pauses great challenges to entrepreneurs, especially in rural areas where money circulation is limited. They indicated that the community members cannot buy products at high prices, and therefore even non-luxury goods are termed as a luxury good once they are sold at high prices. As a result, there are few customers for their products, and those who are able to sell their products in urban areas are more likely to sell more. However, the extra cost of transportation was also reported, and this sometimes causes an increase in prices, which if not well calculated it affects sales. These challenges cause unstable businesses to SACCOS members, which affect their savings and borrowing mechanism, which in turn affects the performance of microfinance institutions such as SACCOS.

Financial Sector Reforms and Development of Microfinance Policy

This study has also involved review of different relevant policies and guidelines implemented in Tanzania. It was revealed that Tanzania has been implementing financial sector reforms since 1991, within the framework of its Financial Sector Reform Policy Statement of 1991. The reforms permitted the establishment of private sector owned banks and provided for a structure for regulation and supervision of the financial sector. All 10 (100%) of SACCOS involved in this study appreciated this reform and agreed that it had an appreciable impact in the development of their SACCOS, despite the fact that most of the staff do not have enough knowledge on key policies.

Application of Legal and Regulatory Framework

Results show that 80% of the SACCOS management personnel were aware how the National Microfinance Policy recognizes the institutions in providing microfinance services. Moreover, all 10 (100%) of the SACCOS management were aware that SACCOS are free to develop microfinance services on the basis of their own internal objectives whether profit, poverty alleviation, self-help or other motivations. This has helped the SACCOS to exploit the opportunity provided by the government in operating as microfinance service providers in rural areas. However, during the discussions it was observed that SACCOS are challenged in fulfilling their responsibility to learn best practices and to apply sound financial principles in the delivery of their services, particularly with respect to pricing, loan delinquency control, financial reporting and information management, appropriate techniques and products, gender equity and governance. This is highly contributed by lack of technical skills required in managing their SACCOS.

5. CONCLUSION

Micro Finance Institutions are an important aspect for the business growth, however the general results of this study suggests its MFIs growth is still evolving in Tanzania. It requires full participation of MFIs internal and external stakeholders in order to solve those challenging facing the sector. It is clear that, MFIs focus on the poor who are non-loanable, and is clear that most of Micro Entrepreneurs are non-bankable, thus it is the responsibility of the Government to create environment suitable for capacity building to enhance the banks have the ability help non-bankable entrepreneurs. However, in order to address the factors that hinder growth of microfinance institutions in Tanzania, there should be deliberate efforts to both the government and microfinance institutions themselves. Moreover, microfinance institutions should be keen to recruit competent personnel, especially in key managerial positions. They should as well recruit competent staff and encourage professionalism in their day-to-day activities. Further, the SACCOS should improve the remunerations they offer to their staff, to retain good and competent people and keep them motivated to remain focused on addressing organization development issues facing their organizations. Furthermore, there is a need to establish a special campaign to motivate members to take loans for business instead of for personal use, by insisting the member to take loan for business, by doing so it will increase the profit of the SACCOS through interest from members' loans. However, this should be accompanied by appropriate entrepreneurship training, and where possible, SACCOS should have competent people who will follow-up either their members who want to take loans or those who have taken loans and offer them advice on how to improve their businesses. Generally, though SACCOS are hampered with a whole lot of limitations in their operations, still they are significant contributors to income generation and poverty reductions among Tanzanians. Lastly, although the study has managed

to get many issues that cause slow progress or poor growth of SACCOS in Tanzania, important issues regarding its effective management and performance still need to be explored further.

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